

# Financial Performance Analysis of KCP Cement Limited, Tamil Nadu

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## ABSTRACT

Cement is a highly capital intensive industry. The cost of economic size of a plant of four lakhs of installed capacity comes to Rs. 27 Crores. Therefore, cement factories must be cautious in administering and utilizing the available funds. Moreover, they should also buildup their reserves and surplus to an adequate level for the modernization and improvement programmes. It can be achieved only by effective financial management. It may be mentioned that there is a necessity to study the analysis of financial position of the cement industry. When the financial management is sound, units are also sound. But, the improper financial management has led some of the units into sickness and they are declared as sick units. Hence, it is considered worthwhile to study in detail about the financial position of KCP Limited, Tamil Nadu.

## 1. Introduction

Financial performance of a company, being one of the major characteristics, defines competitiveness, potentials of the business, economic interests of the company's management and reliability of present or future contractors. Therefore, financial performance analysis and identification of their weaknesses and strengths using financial performance indicators has its contribution to the management, shareholders, the public (customers of the bank), the regulator (the government), the financial sector, and the economy as a whole. In a competitive financial market, bank performance provides signal to depositors and investors whether to withdraw or invest funds respectively from the bank. Similarly, it flashes direction to bank managers whether to improve its deposit service or loan service or both. Regulators are also interested in the financial health of banks for regulation purposes. The objective of financial statements is to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions. Owners and managers require financial statements to make important business decisions that affect its continued operations. Financial analysis which measure financial performance is then performed on these statements to provide management with a more detailed understanding of the figures. Furthermore, the rationale of financial analysis is to diagnose the information contained in financial statement so as to judge the future earning, ability to pay interest, debt maturities, profitability and sound dividend policy.

## 2. Statement of the problem

The ability of an organization to analyze its financial position is essential for improving its competitive position in the market place. Through a careful analysis of its financial performance, the organization can identify opportunities to improve performance of the department, unit or organizational level. Keeping this background in view, an attempt has been made by the researcher to evaluate the "Financial Performance

Analysis of KCP Cement Limited" to understand how management of finance plays a crucial role in the growth.

## 3. Objectives of the study

The specific objectives of the study are:

- To analyze the short-term and long-term liquidity of the firm.
- To examine the profitability of the company over the study period.
- To assess the borrowing capacity of the firm.
- To offer suggestions for the improvement of the efficiency of the company.

## 4. Methodology

The sample selected for this study is KCP Cement Limited in Tamil Nadu. The study covers ten years period 2007-08 to 2016-2017. This study is based on secondary data which is collected from annual reports of company, CMIE proress database and from different websites concerned. The collected data has been tabulated, analysed and interpreted with the help of different financial ratios and statistical tools.

## 5. Review of literature

**Bhunia, (2010)**, "Financial Performance of Indian Pharmaceutical Industry-A Case Study". The study identified that the liquidity position in both the companies was strong, therefore, it reflects the ability of the companies to pay short-term obligations within due date. It was also observed that the companies relied more on external funds in terms of long-term borrowings thereby providing a lower degree of protection to the creditors. **Venkataramana, M.N. et al (2012)**, the study evaluates the profitability and financial position of selected cement companies in India through various financial ratio and applied correlation, mean, standard deviation and variance. The study uses liquidity and profitability ratios for evaluation of impact of liquidity ratios on profitability performance of selected cement companies. **Hajihassani (2012)** presented A

Comparison of Financial Performance in Cement Sector in Iran. This study presents comparison of financial performance for the period 2006–2009 by using financial ratios and measures of cement companies working in Iran. Financial ratios are divided into three main categories and measures including two indicators. This work concludes that the performance of cement companies on the basis of profitability ratio is different than on the basis of liquidity ratio, leverage financial.

## 6. Data Analysis and Interpretation

Analysis and Interpretation of various accounting ratios gives a skilled and experienced analyst a better understanding of the financial condition and performance of the firm. The interpretation of ratios is one by making comparisons overtime. Under this liquidity ratios, Activity ratios or Turnover Ratios, Profitability ratios and leverage ratios are studied over a period of 10 years.

### 1. Liquidity Ratios

#### (i) Short Term Solvency Ratio

Table-1  
Current Ratio (Rs. in crores)

Years	Current Assets	Current Liabilities	Current Ratio
2007-08	215.39	105.7	2.04
2008-09	302.51	133.99	2.26
2009-10	310.06	142.24	2.18
2010-11	269.88	229.1	1.18
2011-12	325.48	393.03	0.83
2012-13	292.27	323.32	0.90
2013-14	287.56	264.37	1.09
2014-15	276.21	265.86	1.04
2015-16	229.87	278.85	0.82
2016-17	258.38	337.28	0.77
<b>Average</b>	<b>276.76</b>	<b>247.37</b>	<b>1.31</b>
<b>Standard Deviation</b>	<b>34.73</b>	<b>94.87</b>	<b>0.60</b>
<b>Growth rate</b>	<b>19.96</b>	<b>219.09</b>	<b>-62.41</b>
<b>Co-efficient of Variance</b>	<b>12.55</b>	<b>38.35</b>	<b>44.11</b>
<b>r</b>	<b>0.26</b>		

Source: Computed from Annual Report

It can be inferred from the above table that current assets increased from 215.39 crores in 2007-08 to Rs. 258.38 crores in 2016 – 17, registering growth rate of 19.96%. As against this, the total amount of current liabilities increased from Rs. 105.7 crores in 2007 – 2008 to Rs. 337.28 crores in 2016 – 17 depicting and growth rate 219.09%. It could be noted that the current ratio declined from 2.04 times in 2007-08 to 0.77 times in 2016 -17. The average current ratio during the study period was 1.31, which is less than the rule of thumb 2:1. It indicates the liquidity position of the concern was not sound. So, the management should concentrate on current ratio in future. There is a positive relationship between current assets and current liabilities of KCP Cement Limited.

Table-2  
Quick Ratio (Rs. in crores)

Years	Quick Assets	Quick Liabilities	Quick Ratio
2007-08	153.28	105.7	1.45
2008-09	224.4	133.99	1.67
2009-10	226.24	142.24	1.59
2010-11	162.09	229.1	0.71
2011-12	177.08	393.03	0.45
2012-13	173.91	323.32	0.54
2013-14	164.03	264.37	0.62
2014-15	128.3	265.86	0.48
2015-16	108.95	278.85	0.39
2016-17	141.13	337.28	0.42
<b>Average</b>	<b>165.94</b>	<b>247.37</b>	<b>0.83</b>
<b>Standard Deviation</b>	<b>37.57</b>	<b>94.87</b>	<b>0.52</b>
<b>Growth rate</b>	<b>-12.15</b>	<b>219.09</b>	<b>-71.15</b>
<b>Co-efficient of Variance</b>	<b>22.64</b>	<b>38.35</b>	<b>60.48</b>
<b>r</b>	<b>-0.42</b>		

Source: Computed from Annual Report

It can be observed from the above table that the ratio of Quick assets to Quick liabilities was high 1.45 in the year 2007 – 2008 and as low as 0.42 in the year 2016 – 2017. As a rule of thumb or as a convention Quick ratio of 1:1 is considered satisfactory. Throughout the study period, the company did not satisfy the standard norms of Quick ratio. So, the management should concentrate on Quick ratio in future. There is a negative relationship between Quick assets and Quick liabilities of KCP Cement Limited.

#### (ii) Long Term Solvency Ratio

Table-3  
Debt Equity Ratio (Rs. in crores)

Years	Debt	Equity	Debt-Equity Ratio
2007-08	179.77	189.87	0.95
2008-09	219.26	240.7	0.91
2009-10	364.54	304.78	1.20
2010-11	501.36	328.31	1.53
2011-12	548.84	364.58	1.51
2012-13	611.07	372.47	1.64
2013-14	670.46	363.39	1.85
2014-15	693.19	358.82	1.93
2015-16	662.81	387.44	1.71
2016-17	710.69	417.04	1.70
<b>Average</b>	<b>516.20</b>	<b>332.74</b>	<b>1.49</b>
<b>Standard Deviation</b>	<b>196.95</b>	<b>69.92</b>	<b>0.36</b>
<b>Growth rate</b>	<b>295.33</b>	<b>119.65</b>	<b>79.99</b>
<b>Co-efficient of Variance</b>	<b>38.15</b>	<b>21.01</b>	<b>25.33</b>
<b>r</b>	<b>0.95</b>		

Source: Computed from Annual Report

It can be inferred from the above table that Debt increased from Rs. 179.79 Crores in 2007-08 to Rs. 710.69 Crores in 2016-17 registering a growth rate of 295.33%. As against this the equity increased from Rs. 189.87 Crores in 2007-08 to Rs. 417.04 Crores in 2016-17 depicting a growth rate of 119.65%. During the study period a company did not

satisfy the Debt-Equity ratio. So, the management should take appropriate step to reduce the debt in future period. There is a positive relationship between Debt and Equity of KCP Cement Limited.

Table-4  
Proprietary Ratio (Rs. in crores)

Years	Shareholders Fund	Total Tangible Asset	Proprietary Ratio
2007-08	189.87	369.64	0.51
2008-09	240.7	459.96	0.52
2009-10	304.78	669.32	0.46
2010-11	328.31	829.67	0.40
2011-12	364.58	913.42	0.40
2012-13	372.47	983.54	0.38
2013-14	363.39	1033.85	0.35
2014-15	358.82	1052	0.34
2015-16	387.44	1050.3	0.37
2016-17	417.04	1127.7	0.37
<b>Average</b>	<b>332.74</b>	<b>848.94</b>	<b>0.37</b>
<b>Standard Deviation</b>	<b>69.92</b>	<b>264.50</b>	<b>0.07</b>
<b>Growth rate</b>	<b>119.65</b>	<b>205.09</b>	<b>-28.01</b>
<b>Co-efficient of Variance</b>	<b>21.01</b>	<b>31.16</b>	<b>15.95</b>
<b>r</b>	<b>0.97</b>		

Source: Computed from Annual Report

The proprietary ratio has decreased from 0.51 to 0.37 during the study period. It is because of increase in shareholders fund is more than that of increase in total tangible asset thus resulting in lower ratio. It indicates that the major portion of total tangible assets have been contributed by outsiders. It is not an appreciable one.

There is a positive relationship between Shareholders fund and Total Tangible asset of KCP Cement Limited.

Table-5  
Interest Coverage Ratio (Rs. in crores)

Years	Net Profit Before Interest & Tax	Fixed Interest Charges	Interest Coverage Ratio
2007-08	9734	692	14.07
2008-09	9784	671	14.58
2009-10	9047	949	9.53
2010-11	5597	1394	4.02
2011-12	8478	3795	2.23
2012-13	4339	3812	1.14
2013-14	120	4473	0.03
2014-15	2363	4886	0.48
2015-16	6512	4541	1.43
2016-17	4715	4630	1.02
<b>Average</b>	<b>6068.90</b>	<b>2984.30</b>	<b>4.85</b>
<b>Standard Deviation</b>	<b>3270.67</b>	<b>1813.04</b>	<b>5.69</b>
<b>Growth rate</b>	<b>-51.56</b>	<b>569.08</b>	<b>-92.76</b>
<b>Co-efficient of Variance</b>	<b>53.89</b>	<b>60.75</b>	<b>117.28</b>
<b>r</b>	<b>-0.74</b>		

Source: Computed from Annual Report

From the above table, it could be observed that EBIT and fixed interest charges of the company, showed a decreasing trend during the study period. Mover over the growth rate of

fixed interest charges of KCP (569.08%) was much more than that of growth rate of EBIT (-51.56%). Hence the interest coverage ratio showed steep decline during the study period from 14.07% to 1.02%. The Co-efficient of variation was 117.28 percent, which shows that the highest variation was observed in the study period. It may due to decrease in sales and increase in expenses. There is a negative relationship between interest coverage and EBIT of KCP Cement Limited.

## 2. Profitability Ratio

Table-6  
Gross Profit Ratio (Rs. in crores)

Years	Gross Profit	Net Sales	Ratio
2007-08	11284	343.14	32.88
2008-09	11369	349.14	32.56
2009-10	11052	371.95	29.71
2010-11	8224	316.15	26.01
2011-12	15208	600.48	25.33
2012-13	11348	699.71	16.22
2013-14	8024	622.19	12.90
2014-15	10680	607.23	17.59
2015-16	14965	749.79	19.96
2016-17	14398	818.29	17.60
<b>Average</b>	<b>11655.20</b>	<b>547.81</b>	<b>23.08</b>
<b>Standard Deviation</b>	<b>2531.75</b>	<b>187.03</b>	<b>7.18</b>
<b>Growth rate</b>	<b>27.60</b>	<b>138.47</b>	<b>-46.49</b>
<b>Co-efficient of Variance</b>	<b>21.72</b>	<b>34.14</b>	<b>31.13</b>
<b>r</b>	<b>0.53</b>		

Source: Computed from Annual Report

The above table shows that the ratio of Gross Profit to sales was high 32.88 in the year 2007 – 08 and as low as 12.90 in the year 2011-13-14. The growth rate of sales was higher when compared with growth rate of profit throughout the study period. The growth rate of gross profit shows a negative (-46.49%).

The highest ratio indicates an increase in the selling price of the goods sold without any corresponding increasing in the cost of goods sold. A lower ratio may be a result of unfavorable purchasing policies. From the table it can be inferred that the ratio fluctuated over a period of time. It shows the poor progress of the company.

Table-7  
Net Profit Ratio (Rs. in crores)

Years	Net Profit	Net Sales	Ratio
2007-08	6654	343.14	19.39
2008-09	6591	349.14	18.88
2009-10	6002	371.95	16.14
2010-11	4135	316.15	13.08
2011-12	6153	600.48	10.25
2012-13	3046	699.71	4.35
2013-14	127	622.19	0.20
2014-15	1587	607.23	2.61
2015-16	4286	749.79	5.72
2016-17	2960	818.29	3.62
<b>Average</b>	<b>4154.10</b>	<b>547.81</b>	<b>9.42</b>
<b>Standard Division</b>	<b>2237.99</b>	<b>187.03</b>	<b>7.09</b>
<b>Growth rate</b>	<b>-55.52</b>	<b>138.47</b>	<b>-81.35</b>
<b>Co-efficient of</b>	<b>53.87</b>	<b>34.14</b>	<b>75.23</b>

<b>Variance</b>		
<b>r</b>	<b>-0.55</b>	

Source: Computed from Annual Report

The net profit ratio of the company was volatile during the study period. The lowest Net profit ratio percent was observed in the year 2013 – 2014, where it was 0.20% and the highest value was observed during the year 2007 – 2008, when it was 19.39 percent. It showed a fluctuating trend during the study period and a poor performance was observed during second half of the study period. There is a negative relationship between Net Profit and Sales of KCP Cement Limited.

Table-8  
Operating Profit Ratio (Rs. in crores)

Years	Operating Profit	Net Sales	Ratio
2007-08	9734	343.14	28.37
2008-09	9784	349.14	28.02
2009-10	9047	371.95	24.32
2010-11	5597	316.15	17.70
2011-12	8478	600.48	14.12
2012-13	4339	699.71	6.20
2013-14	120	622.19	0.19
2014-15	2363	607.23	3.89
2015-16	6512	749.79	8.69
2016-17	4715	818.29	5.76
<b>Average</b>	<b>6068.90</b>	<b>547.81</b>	<b>13.73</b>
<b>Standard Deviation</b>	<b>3270.67</b>	<b>187.03</b>	<b>10.39</b>
<b>Growth rate</b>	<b>-51.56</b>	<b>138.47</b>	<b>-79.69</b>
<b>Co-efficient of Variance</b>	<b>53.89</b>	<b>34.14</b>	<b>75.72</b>
<b>r</b>	<b>-0.54</b>		

Source: Computed from Annual Report

The operating profit ratio of the concern showed poor progress during the study period. The lowest ratio (0.19) was observed in the year 2013 – 2014 and the highest ratio (28.37) was evidenced in the year 2007 – 2008. The co-efficient of variance was 75.72 during the study period. There is negative relationship between operating profit and sales of KCP Cement Limited.

Table-9  
Return on Total Assets (Rs. in crores)

Years	Net Profit	Total Assets	Ratio
2007-08	6654	369.64	18
2008-09	6591	459.96	14.33
2009-10	6002	669.32	8.97
2010-11	4135	829.67	4.98
2011-12	6153	913.42	6.74
2012-13	3046	983.54	3.10
2013-14	127	1033.85	0.12
2014-15	1587	1052	1.51
2015-16	4286	1050.3	408
2016-17	2960	1127.7	2.62
<b>Average</b>	<b>4154.10</b>	<b>848.94</b>	<b>6.45</b>
<b>Standard Deviation</b>	<b>2237.99</b>	<b>264.50</b>	<b>5.77</b>
<b>Growth rate</b>	<b>-55.52</b>	<b>205.09</b>	<b>-85.42</b>
<b>Co-efficient of Variance</b>	<b>53.87</b>	<b>31.16</b>	<b>89.58</b>
<b>r</b>			

Source: Computed from Annual Report

It could be inferred from the above table that the net profit after tax decreased from Rs. 6654 crores in 2007-08 to Rs. 2960 crores in 2016-17. The growth rate of Net profit after tax during the study period -55.52% against the growth rate of total assets of 205.09%. During the study period Return on Total Assets of KCP was not well. Hence the management should take necessary steps to use the total assets in an effective manner. There is negative relationship between net profit after tax and total assets of KCP Cement Limited.

Table-10  
Return on Net Worth (Rs. in crores)

Years	Net Profit	Net Worth	Return on Networth
2007-08	6654	189.87	35.05
2008-09	6591	240.7	27.38
2009-10	6002	304.78	19.69
2010-11	4135	328.31	12.59
2011-12	6153	364.58	16.88
2012-13	3046	372.47	8.18
2013-14	127	363.39	0.35
2014-15	1587	358.82	4.42
2015-16	4286	387.44	11.06
2016-17	2960	417.04	7.10
<b>Average</b>	<b>4154.10</b>	<b>332.74</b>	<b>14.27</b>
<b>Standard Deviation</b>	<b>2237.99</b>	<b>69.92</b>	<b>10.71</b>
<b>Growth rate</b>	<b>-55.52</b>	<b>119.65</b>	<b>-79.75</b>
<b>Co-efficient of Variance</b>	<b>53.87</b>	<b>21.01</b>	<b>75.04</b>
<b>r</b>	<b>-0.64</b>		

Source: Computed from Annual Report

It could be observed that the Return on Net Worth registers a decreasing trend during the study period. It is due to increase in shareholders fund and decrease in net profit. It indicates that the concern does not utilize its resources in an efficient manner. There is negative relationship between net profit after tax and total assets of KCP Cement Limited.

Table-11  
Return on Capital Employed (Rs. in crores)

Years	Net Profit	Capital Employed	ROCE
2007-08	6654	236.22	28.17
2008-09	6591	299.99	21.97
2009-10	6002	502.3	11.95
2010-11	4135	547.46	7.55
2011-12	6153	476.19	12.92
2012-13	3046	575.34	5.29
2013-14	127	687.72	0.18
2014-15	1587	705.21	2.25
2015-16	4286	667.15	6.42
2016-17	2960	652.9	4.53
<b>Average</b>	<b>4154.10</b>	<b>535.05</b>	<b>10.13</b>
<b>Standard Deviation</b>	<b>2237.99</b>	<b>161.41</b>	<b>8.90</b>
<b>Growth rate</b>	<b>-55.52</b>	<b>176.39</b>	<b>-83.91</b>
<b>Co-efficient of Variance</b>	<b>53.87</b>	<b>30.17</b>	<b>87.89</b>
<b>r</b>	<b>-0.84</b>		

Source: Computed from Annual Report

The growth rate of Net profit after tax during the study period -55.52% against the growth rate of capital employed of

176.39%. The average amount of Net profit after tax and capital employed value was Rs. 4154.10 crores and Rs. 535.05 crores respectively. The co-efficient of variance was lower with 30.17% in case of capital employed in comparison with net profit after tax which was 53.87%. During the study period Return on Capital Employed of the concern was not well. Hence the management has to take appropriate steps to utilize to the capital in an effective manner.

### 3. Turnover Ratio

Table-12  
Total Assets Turn Over Ratio (Rs. in crores)

Years	Sales	Total Assets	Ratio
2007-08	343.14	369.64	0.93
2008-09	349.14	459.96	0.76
2009-10	371.95	669.32	0.56
2010-11	316.15	829.67	0.38
2011-12	600.48	913.42	0.66
2012-13	699.71	983.54	0.71
2013-14	622.19	1033.85	0.60
2014-15	607.23	1052	0.58
2015-16	749.79	1050.3	0.71
2016-17	818.29	1127.7	0.73
<b>Average</b>	<b>547.81</b>	<b>848.94</b>	<b>0.66</b>
<b>Standard Deviation</b>	<b>187.03</b>	<b>264.50</b>	<b>0.15</b>
<b>Growth rate</b>	<b>138.47</b>	<b>205.09</b>	<b>-21.84</b>
<b>Co-efficient of Variance</b>	<b>34.14</b>	<b>31.16</b>	<b>22.01</b>
<b>r</b>	<b>0.85</b>		

Source: Computed from Annual Report

The growth rate of sales (138.47%) was more than the growth rate of total assets, which was 205.09% during the study period. An analysis of the above table reveals that the ratio varied from 0.93 in 2007-08 to 0.38 in 2010-11, which indicate that the sales were managed efficiently, but the total assets was not utilized to a maximum extent. There is a positive relationship between sales and total assets of KCP Cement Limited.

Table-13  
Working Capital Turnover Ratio (Rs. in crores)

Years	Sales	Working Capital	Ratio
2007-08	343.14	109.69	3.13
2008-09	349.14	168.52	2.07
2009-10	371.95	167.82	2.22
2010-11	316.15	40.78	7.75
2011-12	600.48	-67.55	-8.89
2012-13	699.71	-31.05	-22.53
2013-14	622.19	23.19	26.83
2014-15	607.23	10.35	58.67
2015-16	749.79	-48.98	-15.31
2016-17	818.29	-78.9	-10.37
<b>Average</b>	<b>547.81</b>	<b>29.39</b>	<b>4.36</b>
<b>Standard Deviation</b>	<b>187.03</b>	<b>92.15</b>	<b>23.52</b>
<b>Growth rate</b>	<b>138.47</b>	<b>-189</b>	<b>-431.53</b>
<b>Co-efficient of Variance</b>	<b>34.14</b>	<b>313.56</b>	<b>539.95</b>
<b>r</b>	<b>-0.85</b>		

Source: Computed from Annual Report

The growth rate of sales (138.47%) was more than the growth rate of Net working capital which was -189% during the study period. The standard deviation of sales was Rs. 187.03 crores more in comparison with the standard deviation of (Rs. 92.15 crores) net working capital. The co-variance of sales (34.14%) is more variable than Networking capital (313.56%). The concern has to take all possible steps to avoid negative ratio in future. There is a negative relationship between sales working capital of KCP Cement Limited.

Table-14  
Debtors Turnover Ratio (Rs. in crores)

Years	Sales	Debtors	Ratio
2007-08	343.14	53.32	6.44
2008-09	349.14	64.07	5.45
2009-10	371.95	56.99	6.53
2010-11	316.15	37.94	8.33
2011-12	600.48	74.38	8.07
2012-13	699.71	48.21	14.51
2013-14	622.19	45.18	13.77
2014-15	607.23	15.96	38.05
2015-16	749.79	30.21	24.82
2016-17	818.29	32.15	25.45
<b>Average</b>	<b>547.81</b>	<b>45.84</b>	<b>15.14</b>
<b>Standard Deviation</b>	<b>187.03</b>	<b>17.38</b>	<b>10.89</b>
<b>Growth rate</b>	<b>138.47</b>	<b>-39.70</b>	<b>295.50</b>
<b>Co-efficient of Variance</b>	<b>34.14</b>	<b>37.92</b>	<b>71.91</b>
<b>r</b>	<b>-0.41</b>		

Source: Computed from Annual Report

It can be inferred from the above table that the net sales were less variable with co-efficient of variance being 34.14% in comparison to average debtors whose co-efficient of variance was 37.92%. It is also evident from the above table that the debtor turnover ratio was recorded as high as 38.05 in the year 2014-15 and as low as 5.45 in the year 2008-09. This shows that there were wide fluctuations in the ratio during the study period. It indicates that the debtor turnover ratio of KCP Cement Limited was more or less efficiently managed during the study period. In order to make the more profitability of a concern the management may concentrate on receivables management in an effective manner.

Table-15  
Creditors Turnover Ratio (Rs. in crores)

Years	Purchases	Creditors	Ratio
2007-08	59.66	32.14	1.86
2008-09	113.3	36.36	3.12
2009-10	128.66	53.04	2.43
2010-11	127.96	43.97	2.91
2011-12	131.36	37.17	3.53
2012-13	152.08	54.02	2.82
2013-14	132.65	57.04	2.33
2014-15	136.77	47.62	2.87
2015-16	207.52	28.20	7.36
2016-17	224.66	38.43	5.85
<b>Average</b>	<b>141.46</b>	<b>42.80</b>	<b>3.51</b>
<b>Standard Deviation</b>	<b>46.46</b>	<b>9.87</b>	<b>1.73</b>
<b>Growth rate</b>	<b>276.57</b>	<b>19.57</b>	<b>214.93</b>
<b>Co-efficient of Variance</b>	<b>32.85</b>	<b>23.07</b>	<b>49.39</b>

r	-0.095
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Source: Computed from Annual Report

It can be inferred from the above table that the credit purchase was more variable with co-efficient of variance being 32.85% in comparison to average creditors whose co-efficient of variance was 23.07%. It is also evident from the above table that the creditors turnover ratio was recorded as high as 7.36 in the year 2015-16 and as low as 1.86 in the year 2007-08. This shows that there were wide fluctuations in the ratio during the study period. Hence the concern should concentrate on credit policy. There is negative relationship between credit purchase and average creditors of KCP Cement Limited.

#### 4. Capital Structure

Table-16  
Capital Gearing Ratio (Rs. in crores)

Years	Funds Bearing Fixed Interest Charges	Equity Share Capital	Ratio
2007-08	56.39	189.87	0.30
2008-09	67.43	240.7	0.28
2009-10	204.00	304.78	0.67
2010-11	221.48	328.31	0.67
2011-12	176.27	364.58	0.48
2012-13	194.82	372.47	0.52
2013-14	312.52	363.39	0.86
2014-15	318.29	358.82	0.89
2015-16	253.99	387.44	0.66
2016-17	222.58	417.04	0.53
<b>Average</b>	<b>202.78</b>	<b>332.74</b>	<b>0.59</b>
<b>Standard Deviation</b>	<b>87.73</b>	<b>69.92</b>	<b>0.21</b>
<b>Growth rate</b>	<b>294.72</b>	<b>119.65</b>	<b>79.71</b>
<b>Co-efficient of Variance</b>	<b>43.26</b>	<b>21.01</b>	<b>35.02</b>
r	<b>0.78</b>		

Source: Computed from Annual Report

If the ratio is more than one, the capital structure is high geared and vice versa. The capital gearing ratio of KCP Cement Limited is lower than one throughout the study period. Though it is lower than one, the growth rate of funds bearing interest charges was more (294.72%) than that of growth rate of equity shareholders fund, which was 119.65%. The largest outsiders funds in capital structure is not advisable one because it affect the future earnings of the concern. There is a positive relationship between Funds bearing fixed interest charges and Equity shareholders fund of KCP Cement Limited.

Table-17  
Total Investment to Long Term Liabilities (Rs. in crores)

Years	Long Term Investments	Long Term Liabilities	Ratio
2007-08	246.26	56.39	4.37
2008-09	308.13	67.43	4.57
2009-10	508.78	204.00	2.49
2010-11	549.79	221.48	2.48
2011-12	540.85	176.27	3.07
2012-13	567.29	194.82	2.91
2013-14	675.91	312.52	2.16
2014-15	677.11	318.29	2.13
2015-16	641.43	253.99	2.53
2016-17	639.62	222.58	2.87

<b>Average</b>	<b>535.52</b>	<b>202.78</b>	<b>2.96</b>
<b>Standard Deviation</b>	<b>148.75</b>	<b>87.73</b>	<b>0.85</b>
<b>Growth rate</b>	<b>159.73</b>	<b>294.72</b>	<b>-34.20</b>
<b>Co-efficient of Variance</b>	<b>27.78</b>	<b>43.26</b>	<b>28.85</b>
r	<b>0.96</b>		

Source: Computed from Annual Report

The ratio of total investment to long term liabilities of the concern shows a decreasing trend when compared to the base year 2007-08 due to long-term liability of the concern. This implies that the proportions of long-term liability in long-term funds are being increased, which is cautioning one, indicating the concern has to take up the timely action to improve their holdings. There is a positive relationship between long-term investments and long-term liability of KCP Cement Limited.

Table-18  
Ratio of Reserves to Equity Capital (Rs. in crores)

Years	Reserves	Equity Capital	Ratio
2007-08	176.97	12.89	13.73
2008-09	227.80	12.89	17.67
2009-10	271.89	32.89	8.27
2010-11	295.42	32.89	8.98
2011-12	331.68	32.89	10.08
2012-13	344.68	32.89	10.48
2013-14	342.5	20.89	16.40
2014-15	345.92	12.89	26.84
2015-16	374.54	12.89	29.06
2016-17	404.15	12.89	31.35
<b>Average</b>	<b>311.55</b>	<b>21.69</b>	<b>17.29</b>
<b>Standard Deviation</b>	<b>69.23</b>	<b>9.94</b>	<b>8.75</b>
<b>Growth rate</b>	<b>128.37</b>	<b>0</b>	<b>128.37</b>
<b>Co-efficient of Variance</b>	<b>22.22</b>	<b>45.84</b>	<b>50.65</b>
r	<b>0.03</b>		

Source: Computed from Annual Report

The ratio of reserves to equity capital of KCP Cement Limited shows a gradual increase during the study period owing to gradual increase in reserves. This implies that the profits retained by the concern are gradually increasing during the study period. There is a positive relationship between Funds bearing fixed interest charges and Equity shareholders fund of KCP Cement Limited.

#### Testing the Significance of Correlation Co-Efficient

To know the impact of variables of financial performance of the KCP Cement Limited the researcher used 'T' distribution test.

#### Null Hypothesis (Ho)

1. There is no significant relationship between current ratio and Return on Capital Employed.
2. There is no significant relationship between Net Profit and Capital Employed.
3. There is no significant relationship between Net Profit and Total Assets.
4. There is no significant relationship between funds bearing interest charges and equity shareholders fund.

Table-19  
'T' Distribution

Relationship	Correlation r	Calculated Value	Degree of Freedom	Table value @ 5% Confidence	Remark
Correlation between current ratio & Return on Capital Employed	0.749	3.116	8	2.306	Significant
Correlation between Net Profit and Capital Employed	-0.836	-4.38	8	2.306	Not Significant
Correlation between Net Profit and Total Assets	-0.764	-3.308	8	2.306	Not Significant
Correlation between funds bearing interest charges and equity shareholders fund	0.778	3.50	8	2.306	Significant

Source: 'T' distribution has been performed in MS Excel

We found a positive correlation between Current Ratio and Return on Capital Employed as the coefficient was found 0.749, which states the adequate liquidity has a positive impact of profitability and vice-versa. 'T' test was also found that there is a significant relationship between Current Ratio and Return on Capital Employed.

The overall performance can be judged by working out a ratio between the profit earned and the capital employed. We found a negative correlation between Net Profit and Capital Employed (-0.836), which indicates that higher capital employed has a negative impact on profitability and vice versa. However, we could not find strong evidence to accept our alternate hypothesis that there is a significant relationship between Net Profit and Capital Employed.

The return on total assets can be used to find out how efficient the company was in utilizing the funds to generate or earn profit. We found a negative correlation between Net Profit and Total Assets (-0.764), which indicates that higher total assets have a negative impact on profitability and vice versa. However, we could not find strong evidence to accept our alternate hypothesis that there is a significant relationship between Net Profit and Total Assets.

We found a positive correlation between funds bearing interest charges and equity shareholders fund as the coefficient was found 0.778. This relationship was also found statistically significant.

After the detailed discussion about the financial performance of KCP Cement Limited, the next and the last chapter brings about a brief summary of findings, suggestions and conclusions are given.

## 7. Suggestions

Keeping in view, the above observations relating to the study, the following measures are suggested to improve the Financial Performance of KCP Cement Limited for a long way.

- Net working capital shows an unfavorable condition. So, necessary steps must be taken by KCP Cement

Limited to develop the situation and keep up an optimum Working Capital in future.

- Throughout the study period Current Liability trends shows an enormous and it is not good for the firm. So, the management has to stop this growth
- In order to improve the liquidity position of the concern, the management not only give concentration to Current Liability but management also give importance to Current Assets which may improve the liquidity position in future.
- The Concerns outsider's funds are more. It is preferable to reduce the outsiders fund for improving the shareholders holding.
- By adopting innovative marketing technique and by bringing down the operating cost, the concern may improve their profitability position.
- Gross profit ratio of the concern may be improved by reducing the cost of goods sold.
- In order to improve the Return on Capital Employed, the management has to utilize the capital in the best way.
- The management has to utilize total assets in an effective manner.

## 8. Conclusion

Finance is lifeblood of any business. The overall success of any business depends to a major extend on efficient and effective management of funds. The profitability position of KCP Cement Limited has been showing declining trend during the study period. Liquidity position of the company was also not satisfactory during the study period. The Concerns outsider's funds are more. The largest outsider's funds in capital structure are not advisable one because it affect the future earnings of the concern. On the whole, if the concerned authorities would earnestly endeavor to manage their respective financial opportunities more effectively by implementing the aforesaid suggestions along with other management techniques, the performance and the profitability of the companies would scale newer heights in the years to come.

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